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Agenda item 112
Review of the efficiency of the administrative and financial functioning of the United Nations

Guidelines for Internal Control Standards

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report on Guidelines for Internal Control Standards submitted on the initiative of the Secretary-General (A/52/867). During its consideration of the report the Advisory Committee had an exchange of views with representatives of the Secretary-General and with the Audit Operations Committee of the Board of Auditors.

2. In the report the Secretary-General has proposed that the General Assembly amend article X of the Financial Regulations of the United Nations to read:

> "Regulation 10.1 (e):
>
> "The internal control systems and procedures of the Organization should be in conformity, *mutatis mutandis*, with the Guidelines for Internal Control Standards approved by the International Organization of Supreme Audit Institutions in June 1992, or such later promulgations thereof which are acceptable to the Secretary-General."

3. During the fifty-second session of the General Assembly, at the 60th meeting of the Fifth Committee, the Chairman of the Advisory Committee informed the Fifth Committee that the Advisory Committee had not yet considered the Secretary-General's report on the subject and that it was essential for the Advisory Committee's views to be sought for any amendment to the Financial Regulations of the United Nations. The Fifth Committee postponed consideration of the Secretary-General's report pending the relevant recommendations of the Advisory Committee on the proposed amendments.

4. During its exchange of views with the members of the Audit Operations Committee of the Board of Auditors, the Advisory Committee was informed that, whereas the Board's view had been sought on the guidelines, the Board was not invited to comment on the revised draft amendment to article X of the Financial Regulations as set out above.

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5. The Advisory Committee was informed that the Board considers the revised draft amendment to the Financial Regulations to be deficient in two respects: the reference to *mutatis mutandis* leaves much room for doubt as to how the standards should operate within the United Nations context; and the reference to "such later promulgations (of the Guidelines approved by the International Organization of Supreme Audit Institutions) which are acceptable to the Secretary-General", delegates too much power to the Administration.

6. In the opinion of the Advisory Committee, the Guidelines are too general to be operational. Were the Guidelines to be part of article X of the Financial Regulations of the United Nations, it would be difficult for the Board, during the course of its audits, to invoke the Guidelines to ascertain whether the United Nations had complied with them. The Advisory Committee believes that the Guidelines should be for those concerned in the formulation or improvement of the existing specific United Nations internal control instruments referred to in paragraph 6 of the Secretary-General's report. Accordingly, the Secretary-General should publicize the Guidelines in whatever form he deems appropriate rather than attempt to incorporate them in or otherwise amend the Financial Regulations.